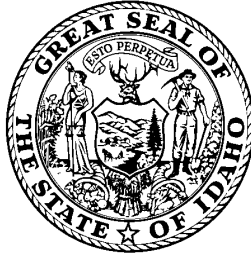


DIRK KEMPTHORNE
GOVERNOR



Karen A. McGee
Chair

Steve Ahrens
Vice Chair

WORKFORCE DEVELOPMENT COUNCIL

317 W. Main Street
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TRANSMITTAL # 9

MEMORANDUM

March 26, 2002

TO: Workforce Development Council

FROM: Karen A. McGee, Chair

SUBJECT: "The Competitive Challenge: Building a World-Class Workforce"
National Association of State Workforce Board Chairs

ACTION REQUESTED: None. Information Only.

Attached is the draft white paper from the National Association of State Workforce Board Chairs, which we will be discussing at our upcoming meeting.

Attachment

The Competitive Challenge:

Building a World-Class Workforce

A White Paper

The National Association of State Workforce Board Chairs

DRAFT March 2002

Executive Summary

At the start of the 21st century, our nation’s economic vitality is more urgently dependent on the knowledge and skills of our workers than ever before in history. In order for the United States to remain competitive in the knowledge-based global economy, it is critical that we create and maintain a world-class education system that prepares our workforce with world-class skills. The workforce development system of the 21st century must be business driven, customer oriented, performance based and innovative. Ultimately, it must add value and increase the productivity of our nation’s economy. To become a world-class system, it must be agile to adapt to rapid changes in the economy and responsive to its customers. Settling for anything less will put the U.S. in jeopardy of becoming an economy and a nation at risk.

The personal prosperity of our citizens and the economic security of our nation will require uniting our education, economic development, and workforce development strategies in a common effort to equip our citizens with continuous learning opportunities and supply our businesses with qualified workers. Therefore, the knowledge-based economy presents critical new obligations and responsibilities for the public’s investment in innovative and responsive education and training solutions. Without significant changes in the responsiveness and agility of our systems, the chasm between the supply and demand of skilled workers will continue to widen. Unless we realign our resources to address the new demands of the knowledge-based economy, we risk outsourcing more work to foreign locations, eliminating jobs and the chance for upward mobility for U.S. workers. Failure to act now will put the economic well-being of our citizens, the productivity of our businesses, and the economic security of our nation at risk.

To ensure that the U.S. remains competitive in the global economy and that all workers are able to maximize their potential as workers and citizens, we must act now to:

- Manage persistent labor shortages, changing workforce demographics and the globalization of the economy
- Recognize that workforce development equals economic development
- Prepare all current and future workers for knowledge-based economy jobs and lifelong education
- Identify critical skills shortages and educate our population to fill these gaps
- Increase the business community’s satisfaction with the education and training systems
- Respond with agility to increased churning in the labor market
- Provide quality labor market and career development information

Recommendations for Action:

To advance the economic competitiveness of our nation and the livelihood of our workers, the **National Association of State Workforce Board Chairs**, representing the Chairs of the gubernatorial appointed, private-sector led Workforce Boards in all the

states and territories, makes the following recommendations to policymakers in Congress, the Administration, states, and local communities:

1. Design a workforce investment system that is truly demand driven.

- Engage business and industry as full partners in system design and execution, with an emphasis on strategic thinking and positioning.
- Design education and training programs that are customized to meet the diverse needs of both employers and employees/students – focusing on such things as modular curriculum, accessibility, responsiveness, contextual learning and expanded e-learning opportunities.
- Increase technical assistance to small and medium sized businesses, with a focus on streamlining workforce development program delivery and providing human resource services.
- Support the dissemination and implementation, at the state level, of a voluntary, industry-validated, nationally recognized system of occupational certifications and skill standards.
- Promote the use of sector-based strategies and industry clusters in partnering with businesses to train the workforce.
- Support states that use innovative approaches to address teacher shortages and innovative methods in teacher preparation.

2. Actively promote lifelong learning, re-skilling and upgrading of the workforce.

- Promote the development and use of portable credentials.
- Design programs to meet the diverse needs of workers within the context of the changing demographics of the workforce.
- Develop a system of creative incentives for human capital investments by individuals and businesses to fill critical skills gaps that have been identified through community audits, and to meet the future needs as identified in community economic development plans.

3. Transform the workforce development system’s alignment: accountability systems, funding mechanisms and management.

- Establish a business-led, federal level oversight board/task force, including major federal partners and a strong business majority, to provide guidance to the system, break down administrative silos at the

federal level and advise the President and Congress on broad workforce development issues.

- Provide flexible funding to allow education and workforce development efforts to be agile and responsive to market demands.
- Focus on meaningful accountability measures across agencies, return on investment and continuous improvement – not on bureaucratic, program specific performance measures.
- Transform the role of the US Department of Labor’s Employment and Training Administration from that of a regulatory agency to one focused on supporting state and local performance innovation.

4. Transform the workforce system’s image, culture and philosophy.

- Develop and disseminate a vision of a world-class workforce system that has the following characteristics: business driven, customer oriented, performance based, innovative, value adding, productivity increasing, agile and responsive.
- Position and promote the education and workforce systems as systems to serve all individual learners, job seekers and business customers.

5. Engage state and local economic development departments and educational entities as full partners with State and Local Workforce Investment Boards.

6. Overhaul labor market information (LMI) systems at the federal and state levels to be more current, user friendly and effective in providing quality data and analysis to make good business and career decisions.

1. What is at stake?

U.S. Competitiveness in the Global Economy

At the start of the 21st century, the economic vitality of our businesses, our communities, our states, and our nation are more urgently dependent on the knowledge and skills of our workers than ever before in history. In November of 2000, Condoleezza Rice stated:

The growing international trend toward democracy and market economies will only be positive for the United States if our job structure in the new economy matches our workers' skill sets. There is a growing gap between the knowledge-based, technology intensive jobs that are driving the U.S. Economy, and the skills of American workers. Education is the top national security issue of the 21st Century.

Although the events of September 11, 2001 have certainly refocused our national security priorities, the knowledge and skills of our workers remain a critical issue for our nation in regard to economic competitiveness and national security. The globalization of trade puts the U.S. in direct competition with nations producing high-quality goods with lower labor costs. To remain competitive, businesses are reorganizing work processes, moving labor-intensive production to nations with cheaper labor, automating low-skill jobs, and relying on workers to use their skills to problem-solve, trouble shoot and improve productivity. As a result, jobs are being shed at record rates, while companies across all industry sectors are clamoring over an inadequate supply of skilled workers. As companies increasingly employ a global workforce, the U.S. can no longer afford the luxury of leaving any citizen behind with inadequate knowledge and skills to compete. ***The personal prosperity of our citizens and the economic security of our nation will require uniting our education, economic development, and workforce development strategies in a common effort to equip our citizens with higher skills and supply our businesses with qualified workers.***

Although skilled labor has become the engine of our economic growth, the introduction of technology, global competition, and the churning economy have limited job security and made the relationship between employers and employees far more tenuous. Thus, ***the knowledge-based economy presents critical new obligations and responsibilities for the public's investment in innovative and responsive education and training solutions.***

Job tenure for males has declined from six years in the mid-1980s to five years in 2000, leaving corporate America with little incentive to invest in training their workers (Atkinson, *Building Skills for the New Economy*). Given the transient nature of today's jobs and workers, many employers are reluctant to “invest” in training workers who may leave the company. Private sector investment in worker education and training varies widely by sector and size of the business. Small firms, in particular, which employ 53% of U.S. workers, provide few training opportunities for their employees. As a share of the U.S. Gross Domestic Product (GDP), business investment in training fell 18% between

1988 and 1999 (Atkinson, *Building Skills for the New Economy*); although the gross amount spent in employer-sponsored training in the U.S. has actually increased 555% from 1982 to 2001 (Galvin, *Training Magazine's Industry 2001 Report- October 2001*). ***More and more, the responsibility for acquiring necessary skills increasingly falls to the individual; which in turn, places new burdens on the public education, training, and employment systems.***

Without significant changes in the responsiveness and agility of our workforce investment system, the chasm between the supply and demand of skilled workers will continue to widen, limiting our country's potential for economic growth and our citizens' opportunities for personal prosperity:

- The BLS projects a 14% increase in job openings between 1998 and 2008, but labor force growth of only 12% over the same period (Conway)
- Between 1998-2008, our economy will generate 14.1 million new jobs that require advanced skills (some post-secondary and above) and only 6.2 million new jobs requiring basic and minimal skill level (dropouts and high school graduates)
- Forty six million college educated baby boomers will retire over the next 20 years (Carnevale)
- By 2020, there will be deficit of at least 12 million people with some post-secondary education that will be needed to fill the jobs of the knowledge-based economy (Carnevale)
- Literacy of American adults ranks 10th out of 17 for high-income countries. More troubling, the U.S. has the largest gap between highly educated and poorly educated adults...Additionally 16 to 25-year-olds not only under perform in comparison to their foreign counterparts, but also do so to a greater degree than Americans over age 40. (*The Twin Challenges of Mediocrity and Inequality: Literacy in the U.S. from an International Perspective*- Educational Testing Service – Feb. 2002)

At the National Governor's Association Workforce Development Policy Forum in New Orleans in December 2001, David Sampson, U.S. Assistant Secretary of Commerce for Economic Development clearly and concisely articulated what is at stake:

Unless the skills gap within the U.S. is closed and employers can find the workers they need, and job seekers have the skills to pursue the opportunities that will exist, then America's economy will remain extremely vulnerable...The Stakes are high: freedom of trade and commerce; personal and political liberty; and national and individual security.

Therefore, unless we realign our education and workforce development systems to address these new demands with agility, responsiveness and innovation, we

put the economic well-being of our citizens, the productivity of our businesses, and the economic security of our nation at risk.

2. The Competitive Challenge – “The Big Picture”

To ensure that the U.S. remains competitive in the global economy and that all workers are able to maximize their potential as workers and citizens, we must act now to:

- Manage persistent labor shortages, changing workforce demographics and the globalization of the economy
- Recognize that workforce development equals economic development
- Prepare all current and future workers for knowledge-based economy jobs and lifelong education
- Identify critical skills shortages and educate our population to fill these gaps
- Increase the business community’s satisfaction with the education and training systems
- Respond with agility to increased churning in the labor market
- Provide quality labor market and career development information

2.1 Managing persistent labor shortages, changing workforce demographics and the globalization of the economy:

Although the economy has slowed over the past year and many workers have lost their jobs, it is critical to understand that population demographics point to the fact that labor shortages will persist well beyond 2020. ***The U.S. Department of Labor estimates that by 2006 there will be 151 million jobs available and only 141 million people in the workforce pool.*** Along with this significant labor shortage, the nation is also experiencing unprecedented changes in demographics, including the growth in the number of seniors in the population. Over the next several decades new immigrants and various non-traditional labor force entrants will fill many jobs. Employers and seniors alike will be compelled to view “retirement” in a new way - many seniors may work well into their seventies and eighties. Additionally, the globalization of the economy allows workers in India to manage payroll systems for U.S. companies, or U.S. businesses to take many jobs offshore where labor costs are lower or skilled workers are more readily available.

These demographic and globalization realities will be ongoing challenges that must be addressed with creative education and workforce development strategies. **It is critical for the education and workforce development systems to flexibly meet the diverse and changing needs of workers and businesses within the context of these labor shortages, changing demographics and the globalization of the economy.**

2.2 Recognizing that workforce development equals economic development

Historically, economic development has largely been focused on infrastructure issues such as roads, sewers, transportation networks, utility costs and tax policy and incentives. However, in today's environment of globalization, critical skills gaps and changing demographics, ***economic development is becoming increasingly reliant on a supply of skilled workers.*** Companies making site location or expansion decisions want to know about existing pools of potential workers, availability of responsive training providers and the quality of the local school system. An unskilled workforce significantly impacts on the ability of economic development professionals to attract new businesses or convince existing businesses to expand within American communities. It is critical to maintain a cohort of skilled workers to compete in the global economy where many countries can provide lower wage workers. Communities must now compete for new jobs in terms of innovation, supplies of skilled workers and productivity; rather than low wages as in the past.

2.3 Preparing all current and future workers for knowledge-based economy jobs and lifelong education:

The changing demographics also make it clear that ***we can no longer afford to leave any individual behind*** as we develop the skills of the workforce. For both economic and humanistic reasons, we must train incumbent workers with low or outdated skills, as well as those who might not have been considered "employable" just a decade ago. Many of these new entrants have low educational levels, little work experience, and poor basic literacy skills and work attitudes. Yet, the jobs of the knowledge-based economy require skills beyond the high school level and are increasingly technical and rapidly changing. Therefore, the focus on worker preparation should be on creating a culture of lifelong education. All citizens will need strong knowledge-based foundation skills in such areas as applied math, reading, critical thinking, communication, teamwork and problem solving, as well as technical skills that need to be updated regularly.

To prepare new entrants and continually upgrade incumbent workers with the skills necessary to succeed in the knowledge-based economy, ***it will be critical to provide lifelong educational opportunities to all workers and to create a culture in which all citizens value and pursue lifelong education.***

2.4 Identifying critical skills shortages and educating our population to fill these gaps:

Although the U.S. economy has certainly softened in 2001 with significant lay-offs and a downward trend in economic indicators, ***there still remains a critical gap in the skills that employers need and the skills that workers possess.*** While many workers become unemployed, many jobs go unfilled. For example, industry studies show that there are over 300,000 information technology (IT) positions unfilled nationwide, and that another one million IT workers will be required by the end of the decade – the majority of them in non-IT companies. Similarly, math and science teachers, health care workers and skilled trades' people are increasingly in short supply. For employers, the resulting unfilled positions mean lost business opportunities and greater dependence on foreign

labor. These skills shortages will persist into the next decade and beyond - the current economic downturn is only a temporary phenomenon.

We must also recognize that many of the jobs that will exist in 2010 and beyond do not currently exist. We cannot even begin to imagine the skills that will be needed or the jobs that will be created in such fields as biotechnology. Incumbent worker training and re-skilling of the workforce must gain a new level of importance. ***An effective and agile workforce development system must help employers and job seekers identify and prepare for these fast-changing critical skills needs. The closing of this skills gap will require tremendous collaborative efforts by education and training institutions, employers, workers, and human service agencies.***

2.5 Increasing the business community's satisfaction with the education and training systems:

Although the annual budget of the K-12 system in the U.S. is \$400 billion and the higher education annual budget is \$100 billion (USD OE 1996), ***almost one in four U.S. youth suffer from low literacy rates*** (OECD 1997). According to the National Alliance of Business (2000), U.S. employers spend \$62 billion/year on basic skills training for their employees. Employers say repeatedly that their workers are under-prepared for the jobs of the knowledge-based economy. “Teach them to read, compute, problem solve and work in teams – we will teach them to make our widgets.” Thus, although technical skills development is certainly critical for workers and businesses to be competitive in the global economy, the education and workforce development systems must also focus substantial effort on developing strong academic and employability foundation skills.

Although some progress has been made in strengthening the linkages between the business community and the education sector in recent years, much remains to be done. ***An effective education and workforce development system requires stronger collaborations among education, business, and workforce partners*** in order to improve the skills of new job entrants and meet the needs of employers as they compete in the global economy.

2.6 Responding with agility to increased churning in the labor market:

The knowledge-based economy is inherently dynamic. The relatively low national unemployment rate belies the high “churning” factor in the labor market – that is, the combined real rate of hiring, layoffs and voluntary job changes. Official unemployment statistics offer only a snapshot picture of the number of people actively seeking work through a public labor exchange as a percentage of the total (employed and unemployed) workforce. This picture does not capture satisfactorily the dynamic nature of the knowledge-based economy- the job hopping, multiple job holding, increase in self-employment, contract employment, temporary work and outsourcing.

Workers can no longer count on working for the same company for 30 years - instead they must become “career entrepreneurs” responsible for their own training and development. Additionally, employers are becoming more and more concerned about providing training to employees who may then take their enhanced skills to another

employer. ***An effective education and workforce development system must address both the labor exchange and training needs of employers and workers within the context of this “churning” environment.***

2.7 Providing quality labor market and career development information:

If the economy and labor markets are to function efficiently in this fast-changing global environment, then decisions by all players must be made on the basis of timely and accurate information. Private companies make modern investment decisions on the basis of a variety of detailed and current information obtained from around the globe. Unfortunately, no single private player has the incentive or the authority to collect, verify, sort, and display all the data necessary for sound decisions in the workforce realm. Meanwhile, the existing public official data series commonly serve government uses rather than customers. Often they are not easily accessed and contain out-dated information. ***An effective workforce development system must transform the existing data collection systems so that job seekers and employers have current, easily accessible, and relevant information and analysis to make good economic and career decisions.***

3. The Challenges for the Workforce Development System and Recommendations for Moving the System Forward

The public sector has invested in a broad infrastructure that supports the education, training, employment and economic development needs of our workers and our employers. The K-12 education system helps prepare our youth for further training or to enter the world of work. The university and community college systems help both young adults and older workers to pursue lifelong learning and acquire the skills needed in the new economy. The federal government offers Pell Grants and other financial assistance to help make this training more affordable.

The publicly funded workforce development system has historically offered a broad array of training and employment programs designed to serve unemployed and underemployed adults. In addition, our economic development programs often assist businesses by connecting them with public sector training and employment solutions. Finally, our human services programs supply income supplements and related support services often needed by working families.

In the knowledge-based economy, however, it is critical that these broad systems go well beyond developing complementary programs. They must join in true partnership to create innovative strategies and solutions that meet the needs of our customers and improve the efficiency and effectiveness of the workforce system and secure our continued economic growth. The workforce development system must realign its governance and services to connect the education, economic development, and human services systems in a network of services that permit all workers and employers to thrive in changing economic times.

The workforce development system needs to move away from its focus on providing second chance assistance for the unemployed and underemployed and become the conduit that provides the continuous connection between the worlds of education, training and work for all workers and employers. ***This vision must be supported by strong leadership at the federal and state levels but with a heavy emphasis on local control.*** Remaining competitive in the new global economy will require the U.S. to develop bold new approaches to educating, employing, and retraining our workers.

Therefore, to advance the economic competitiveness of our nation and the livelihood of our workers, the ***National Association of State Workforce Board Chairs***, representing the Chairs of the gubernatorial appointed, private-sector led Workforce Boards in all the states and territories, makes the following recommendations to policymakers in Congress, the Administration, states, and local communities:

Recommendation #1:

Design a workforce investment system that is truly demand driven.

- **Engage business and industry as full partners in system design and execution, with an emphasis on strategic thinking and positioning.**
The primary customer for the system is the employer; therefore, the focus of the system has to be on the business community. The current business-led workforce investment boards, that are designed to engage the private sector, are often so focused on compliance with government regulations that their work is meaningless to the private sector. In the new workforce development system employers must be engaged in activities that actually cause system change and responsiveness as a result of their leadership.

State and local boards should change from a role of administrative overseers to a strategic role of identifying and addressing issues of importance to their communities. Federal agencies, under the leadership of the business-led federal task force described in recommendation #3, should provide incentives to promote this cultural shift. One such initiative may include supporting state-led campaigns to demonstrate the worth of the system to employers. This can result in business leaders taking the lead in demonstrating the value of the system to Congress.

- **Design education and training programs that are customized to meet the diverse needs of both employers and employees/students – focusing on such things as modular curriculum, accessibility, responsiveness, contextual learning and expanded e-learning opportunities.**

In many cases, training providers across the nation still deliver training within a traditional program delivery framework that is site-based and limited to a nine-to-five schedule. In today's ever-changing business environment, this traditional, unresponsive program delivery is no longer acceptable or effective. Community colleges, as well as other post-

secondary institutions, should be provided incentives to adopt flexible approaches that better meet the needs of employers and working students.

- **Increase technical assistance to small and medium sized businesses, with a focus on streamlining workforce development program delivery and providing human resource services.**

According to the Association of Small Business Development Centers, small business accounts for 99% of all U.S. businesses and employs 53% of the private sector work force. Yet, due to limited resources, they have the greatest difficulty maneuvering through the bureaucratic barriers of the public workforce system. In many cases, they decide not to access applicant screening or training services because the processes are too complicated and time consuming.

The specialized human resources and personnel departments required to handle these challenges exist in larger companies, but do not typically exist in small and medium-sized enterprises. A state-led campaign that focuses on expanding services to improve the human resource management functions in small and medium-sized businesses should be initiated by the oversight board/task force and supported by the federal partners, particularly the Departments of Labor and Commerce.

- **Support the dissemination and implementation, at the state level, of a voluntary, industry-validated, nationally recognized system of occupational certifications and skill standards.**

Employers often express their dissatisfaction with the lack of skills that applicants or incumbent workers possess. A skills standards approach will document that an individual has the required skills, and would enable employers to recruit the people with the appropriate skill sets.

This approach also would help job seekers select training that prepares them for occupations in high demand and would provide training providers the information they need to develop curricula that results in students graduating with skills employers are seeking. This skills standards approach will document a worker's skills for the employer, and ensure the portability of skills and the worker mobility needed to meet current workforce challenges.

Since skills sets become quickly obsolete in the knowledge economy, the emphasis must be on methodologies that are agile and easy to maintain. Additionally, it is critical that the certifications are industry-based; that is, developed in partnership with and fully recognized by the business community. U.S. Department of Labor (USDOL) should provide incentives for state systems that support the development of skills standards protocols.

- **Promote the use of sectoral strategies and industry cluster support in partnering with businesses to train the workforce.**

With limited resources available to meet the immense challenges of developing a world-class workforce, the system must work more efficiently. One such efficiency can be found in working with consortia of businesses in the same industry sector or with similar training needs. To reduce the cost of training, designing and delivering training to a number of workers from the industry consortia can attain economies of scale.

Education and training providers should also develop programs and strategies that meet the workforce training needs of the businesses in regional clusters of innovation. These clusters, as defined by Dr. Michael Porter of Harvard, are geographic concentrations of competing and cooperating companies, suppliers, service providers and associated institutions. As a partner in the cluster, educational institutions must be both proactive and responsive to the ongoing education and training needs of the cluster businesses. Rewards and incentives should be provided to states that take these approaches.

- **Support states that use innovative approaches to address teacher shortages and teacher preparation.**

The extreme shortage of teachers that is looming on the horizon should be seen as an opportunity rather than a problem. States should be rewarded for finding creative ways of attracting youth into the teaching profession, for recruiting former professionals into the classroom, and for restructuring teacher preparation programs to better prepare teachers for the challenges of this century. Collaboration between federal agencies and professional organizations would raise the issue to national prominence and could unleash creative solutions. Benchmark models that include increased participation of educators with the private sector on Workforce Investment Boards demonstrate clearly the benefits of interaction between educators and the private sector. Federal agencies should provide incentives/rewards for states that take this approach.

Recommendation #2:

Actively promote lifelong learning, re-skilling and upgrading of the workforce.

- **Promote the development and use of portable credentials.**

Workers can no longer count on working for the same company for 30 years - instead they must become “career entrepreneurs” responsible for their own training and development. Promoting the use of portable credentials that document a worker’s skills is important within the context of this “churning” labor market environment. The USDOL and the U.S. Department of Education should provide support and incentives for states that develop state-recognized credentials, adopt industry-based certifications, or address this issue in other innovative ways.

- **Design programs to meet the diverse needs of workers within the context of the changing demographics of the workforce.**

The immigrant population is increasing at six times the rate of the rest of the population. This demands that the workforce development system be responsive to the needs of these customers, many of who are illiterate in their native language while others need only English language skills. A partnership between employers, and the departments of Education (particularly, Adult Education), Labor and Commerce should be formed to develop innovative approaches to solving these problems.

Over the next decades seniors are likely to work well into their seventies and eighties. The workforce development system will have to deal with the unique re-skilling needs of this older population. The system will also need to assist employers in learning how to effectively integrate these individuals into their workplaces. Incentives for states that address this issue will be needed.

- **Develop a system of creative incentives for human capital investments by individuals and businesses to fill critical skills gaps that have been identified through community audits, and to meet the future needs as identified in community economic development plans.**

Training and development initiatives are an expensive and ongoing venture. In periods of economic downturns, training often is one of the first budget items to be cut. Yet we must expand investments in education and training in order to fill the critical skill gaps.

A variety of financial incentives should be explored by the oversight board/task force and federal agencies for ways to offset the large capital costs of training faced by individuals and businesses alike. One such incentive that has great potential and should be pursued is changing federal student financial aid eligibility requirements to meet the needs of working adults and e-learning students.

Recommendation #3:

Transform the workforce development system's alignment: accountability systems, funding mechanisms and management.

- **Establish a business-led, federal level oversight board/task force, including major federal partners and a strong business majority, to provide guidance to the system, break down administrative silos at the federal level and advise the President and Congress on broad workforce development issues.**

At minimum, high-level representatives from the federal departments of Labor, Commerce, Education, HUD and HHS should be members of the board. Additionally representatives from key stakeholder organizations, particularly the education community, should be represented.

Currently, senior staffs of the various federal cabinets rarely work together in any systematic, formal way in order to identify and address bureaucratic barriers. The creation of a federal level oversight board/task force would demonstrate to the private sector that leaders at the federal level can put aside their turf issues, step out of their program funding silos and make a commitment to addressing the needs of the entire system.

- **Provide flexible funding to allow education and workforce development efforts to be agile and responsive to market demands.**

It is imperative that considerable effort be made at the federal level to break through the funding silos that often work against the development of a comprehensive, responsive education and workforce system. With limited funding, this type of inefficiency is frustrating to workers and employers and detrimental to achieving economic competitiveness.

Current government structures were formed during economic times that were far more predictable and stable than we are currently experiencing or will continue to experience as the new century progresses. The key word in the private sector is agility and yet federal agencies are still struggling to meet these demands for increased flexibility and true agility.

Benchmark models across the country demonstrate clearly the benefits to states of flexible funding streams such as TANF. Governors who have taken advantage of such flexibility have implemented significant new approaches to investing in their workforce with the support of private sector leadership. The adoption of similar models across the country should be encouraged and supported by flexible federal policy.

- **Focus on meaningful accountability measures across agencies, return on investment and continuous improvement – not on bureaucratic, program specific performance measures.**

In the new workforce development system, the customer is paramount. It is important to understand the diversity of these customers, and to define and measure success in terms of how well their diverse needs are met.

Currently, the system is laboring under too many performance measures. There is a lack of consistency between the measures demanded by different programs and agencies. Additionally, the current measures are not meaningful to the business community and provide limited performance management data. Data collection is usually a chore rather than a meaningful activity that leads to continuous improvement and positive return on investment for the system.

- **Transform the role of the U.S. Department of Labor’s Employment and Training Administration (USDOL/ETA) from that of a regulatory agency to one focused on supporting state and local performance innovation.**

The present emphasis on regulations, together with cumbersome reporting requirements and proliferating performance measures, should be replaced by an emphasis on supporting innovation that leads to high performance.

Grants of all types should be constructed to reward innovation, rather than to reward repetition. USDOL/ETA should develop a capacity for providing technical assistance to states and localities, and should commission and invest in the development and dissemination of the common infrastructure (systems, data, technology) necessary across the whole system.

Recommendation #4:

Transform the workforce system’s image, culture and philosophy.

- **Develop and disseminate a vision of a world-class workforce system that has the following characteristics: business driven, customer oriented, performance based, innovative, value adding, productivity increasing, agile and responsive.**

Most citizens, and many workforce professionals, do not understand the concept of a world-class workforce development system. They are caught in old paradigms and often think about “training programs for target populations” or the role of the “unemployment office”.

The vision for the system must be articulated clearly and disseminated so that all constituencies can better understand their roles within the system and the importance of workforce development as it relates to our nation’s success in the global economy.

A nationwide effort is required to help staff in all agencies to understand their roles in the new system, particularly in the areas of innovation, agility and responsiveness. Where this has been done at the state level, it has proven to be successful. The effort needs to be well-planned and consistent, with leadership provided at all levels of the system until the paradigm shift is complete.

- **Position and promote the education and workforce systems as systems to serve all individual and business customers.**

Currently, the perception of the system is that we continue as a “second chance” system to help people in distress. Employers do not perceive the resources the system is expending as value-added to their own activity. As a result, employers often turn to the federal and state funded workforce development system only as a last resort, and it retains a welfare stigma.

The support that the workforce development system can show for economic development should be recognized as a purpose equally

important to its social dimensions. The workforce development system must not be viewed just as a short-term band-aid system to serve individual customers in need, but also as a strategic tool to build our long-term economic engine in partnership with the business community.

Recommendation #5:

Engage state and local economic development departments and educational entities as full partners with State and Local Workforce Investment Boards.

In many states, economic development organizations and educational institutions are only at the periphery of the workforce development system. Since workforce issues are becoming more and more integral to economic development and the preparation of students in the pre-K-16 system, it is necessary for these systems to work as full partners. We cannot afford to disregard the importance of our “first chance” education system to our national security, and its relevance to economic development.

The major expenditures in the K-12 system MUST provide a greater return on our national investment in terms of addressing the skills gap in basic literacy, problem solving, and teamwork, particularly as they relate to preparing students for jobs, higher education and life-long education.

Only through strong linkages and enhanced collaboration among education, economic development, business and workforce partners will we be able to increase our return on our national investment of public education dollars and increase the business community’s satisfaction with the education and workforce development systems. Leadership at the federal level should focus on this national problem, and incentives should be made available to states to address the issue.

Recommendation #6:

Overhaul labor market information (LMI) systems at the federal and state levels to be more current, user friendly and effective in providing quality data and analysis to make good business and career decisions.

Experts in government, academia and business acknowledge that today’s labor market information systems produce data that is highly reliable and allows for valid comparisons across geographic areas. However, these systems fall significantly short of meeting the needs of businesses, economic development agencies or job seekers. The information is often not current, difficult to access and unavailable for any customized needs. These systems also focus on state and metropolitan level data, rather than local information.

Today’s decisions require real-time labor market information based on a comprehensive analysis system. Incentives should be made available to

states to develop real-time indicators of labor market trends. Federal systems have demonstrated a lack of agility and timeliness in their responses. The federal government can provide a meaningful role by helping to fund innovative methods to collect and analyze data, develop user-friendly methods of delivering information to consumers, and brokering opportunities for states to share best practices.

4. Conclusions and Summary

The National Association of State Workforce Board Chairs believes strongly that the personal prosperity of our citizens and the economic security of our nation will require uniting our education, economic development, and workforce development strategies in a common effort to equip our workforce with higher skills and supply our companies with qualified workers.

The vision for the workforce development system in this new century must be broader and more complex in every sense than the current system. The constantly changing needs and demands of this system are radically different from anything we have experienced in the United States to date. Trying to address today's changing needs using outdated approaches is folly.

The new workforce development system must be built on the premise of structuring opportunities and incentives for innovation and excellence, not living by regulations and mandates of the past. A new set of challenges demands new solutions. It is critical that agility, innovation, flexibility and responsiveness become paramount in the development of these new solutions.

The scope and urgency of our challenges are well articulated in the recent ETS report - *The Twin Challenges of Mediocrity and Inequality: Literacy in the U.S. from an International Perspective*:

The United States needs “world-class” literacy and numeracy skills if it is to remain a leader in real output per capita, economic growth, productivity and competitiveness in the 21st century...To raise our nation’s literacy performance beyond its present mediocre level...it means cutting waste, retargeting available resources and revamping rules and rewards of the education and labor market systems.

Therefore, the **National Association of State Workforce Board Chairs** respectfully presents this white paper and its recommendations to policymakers in Congress, the Administration, states, and local communities as a template for developing the next generation workforce development system that will create and maintain a world-class workforce with world-class skills. Settling for anything less, we believe, will put the U.S. in jeopardy of becoming of an economy and a nation at risk.